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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103940; File No. SR-FICC-2025-019]

Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Establish a New Collateral-in-Lieu Offering Within the Sponsored GC Service, and Expand the Sponsored GC Service to Allow a Sponsoring Member to Submit for Clearing a "Done-Away" Sponsored GC Trade

September 10, 2025.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on August 29, 2025, Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the FICC Government Securities Division ("GSD") Rulebook ("Rules")[3] to (i) establish a new Collateral-in-Lieu ("CIL") offering ("CIL Service") within the existing Sponsored GC Service, and (ii) expand the Sponsored GC Service to allow a Sponsoring Member to submit for clearing a "done-away" Sponsored GC Trade (i.e., a Sponsored GC Trade between its Sponsored Member and either a Netting Member other than the Sponsoring Member or another Indirect Participant of any Netting Member). The proposed rule changes are

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 Capitalized terms not defined herein are defined in the Rules, available at http://www.dtcc.com/legal/rules-and-procedures.

designed to facilitate access to FICC's clearance and settlement services, including by indirect participants, in accordance with the requirements of Rule 17ad-22(e)(18) under the Act.[4]

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Executive Summary of Proposed Changes

The purpose of the proposed rule change is to amend the Rules to (i) establish the CIL Service to be available within GSD's Sponsored GC Service, and (ii) expand the Sponsored GC Service to allow a Sponsoring Member to submit for clearing a "done-away" Sponsored GC Trade (i.e., a Sponsored GC Trade between its Sponsored Member and either a Netting Member other than the Sponsoring Member or another Indirect Participant of any Netting Member).

The CIL Service would leverage much of the legal and operational framework applicable to FICC's existing Sponsored GC Service, but with certain adjustments designed to increase the ability of registered investment companies ("RICs") and other cash providers to access FICC's clearance and settlement system for repurchase

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4 17 CFR 240.17ad-22(e)(18).

transactions. In particular, the CIL Service would use a lien in favor of FICC on the Purchased GC Repo Securities to reduce the margin and capital costs of providing RICs and other cash providers with access to FICC's clearance and settlement systems, and would facilitate the ability of RICs and other cash providers to clear transactions executed through joint trading accounts.

Under the proposed CIL Service, a Sponsoring Member would be eligible to submit to FICC for clearance and settlement a repurchase transaction ("Sponsored GC CIL Trade") entered into by its Sponsored Member as cash provider ("CIL Funds Lender") with the Sponsoring Member (i.e., "done-with") or with another Netting Member or any Netting Member's Indirect Participant (i.e., "done-away") and for such transaction to settle through the tri-party platform operated by a Sponsored GC Clearing Agent Bank. The Sponsored GC CIL Trade would generally be treated as a Sponsored GC Trade under the Rules, but with certain key differences.

First, the Rules would provide for each CIL Funds Lender to grant FICC a security interest in the Purchased GC Repo Securities subject to the Sponsored GC CIL Trade to secure the CIL Funds Lender's obligations under the transaction. The purpose of this lien is to eliminate the "double margining" that FICC understands from its engagement with market participants operates as a constraint on the ability of Sponsoring Members to provide clearance and settlement services to RICs and other cash providers.[5] "Double margining" refers to the cost to a Sponsoring Member associated with funding both (1) a "haircut", which refers to the amount of securities posted to a RIC or other cash provider in excess of the cash funding provided under a repurchase transaction, and

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5 See Letter from Ken Bentsen, President & CEO, SIFMA, et al. to Mark Uyeda, Jan. 24, 2025, in Release No. 34-95763, File No. S7-23-22, at 2, available at https://www.sifma.org/wp-content/uploads/2025/01/SIFMA-Extension-Request-US-Treasury-Clearing-Mandate-FINAL-Clean.pdf (describing "SEC-registered fund rules that effectively require double margining for cleared repos" as a critical issue that needs to be resolved in advance of the compliance date of the Trade Submission Requirement (as defined below)).

(2) initial margin posted to FICC with respect to the same transaction. Market participants have conveyed to FICC that the combined funding costs of these two sums limit the capacity of Sponsoring Members to clear Sponsored GC Trades entered into by RICs and other cash providers.

The lien granted by the CIL Funds Lender to FICC would serve to eliminate "double margining" by largely obviating the need for FICC to collect initial margin with respect to a Sponsored GC CIL Trade. The lien would allow FICC to use the Purchased GC Repo Securities to complete settlement with the CIL Funds Lender's pre-Novation counterparty (i.e., the GC Funds Borrower) under the Sponsored GC CIL Trade in the event the CIL Funds Lender or its Sponsoring Member defaulted. As a result, it would, with limited exceptions, eliminate the need for FICC to collect initial margin to address the risk that the CIL Funds Lender fails to deliver such securities.[6] In addition, by ensuring that FICC would be able to obtain the Purchased GC Repo Securities underlying the Sponsored GC CIL Trade, the lien would eliminate the need for the Sponsoring Member to guarantee the CIL Funds Lender's obligations under a Sponsored GC CIL Trade. That, in turn, would reduce the regulatory capital requirements, and thus the costs to the Sponsoring Member, of providing the CIL Funds Lender with access to FICC's clearance and settlement services.

Second, the CIL Service would allow a Sponsoring Member to submit to FICC for clearance and settlement transactions that have been entered into by multiple RICs or other CIL Funds Lenders using a "joint trading account." FICC understands from its engagement with market participants that a number of RICs and other cash providers utilize joint trading accounts because they provide various efficiencies. However, the

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[6] As noted below, FICC would still collect initial margin with respect to certain done-with Sponsored GC CIL Trades and would require that Sponsored GC CIL Trades have an Initial Haircut that is no less than the CIL Required Haircut (as such term would be defined in the Rules). See Rule 1, supra note 3.

Sponsored GC Service does not currently allow a Sponsoring Member to submit to FICC for clearance and settlement a transaction entered into through a joint trading account, unless the investment adviser for the joint trading account's participants has specified each participant's respective portion of the transaction. As described in greater detail below, FICC understands from its engagement with market participants that this process, generally referred to as "allocation," often cannot be completed before the FICC submission deadline for the Sponsored GC Service. This is because an investment adviser generally needs information regarding the various participants' current cash positions before it can perform an allocation, and such information takes time to compile and examine. As a result, participants in a joint trading account are often unable to have their transactions submitted to FICC for clearing. Accordingly, FICC believes that allowing Sponsoring Members to submit Sponsored GC CIL Trades entered into by a joint trading account even before such transactions have been allocated would facilitate the ability of RICs and other cash providers to access FICC's clearance and settlement services.

Lastly, the CIL Service would not require Sponsored Members to exchange Funds-Only Settlement Amount payments with FICC in relation to Sponsored GC CIL Trades. FICC understands from its engagement with market participants that RICs and other cash providers are in many cases not operationally able to make or receive twice daily Funds-Only Settlement Amount payments and that a Sponsoring Member's receipt or collection of such amounts on behalf of a RIC or other cash provider could implicate various regulatory considerations.[7] FICC understands that it is therefore common practice for Sponsoring Members and their Sponsored Members in the existing Sponsored GC Service to agree for the Sponsoring Member to satisfy the relevant Funds-Only Settlement Amount obligations of the Sponsored Member and to receive any such

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7 See, e.g., 15 U.S.C. 80a-17(f).

amounts due to the Sponsored Member. However, such practice may be infeasible or expensive at greater scale, particularly if the transactions at issue are term transactions or "done-away" ones. Furthermore, because the lien in favor of FICC on the Purchased GC Repo Securities ensures that FICC will be able to look to such securities for the CIL Funds Lender's performance, FICC does not need to collect Funds-Only Settlement Amounts to address the possibility of the CIL Funds Lender defaulting and the need for a replacement transaction.

As mentioned above, the CIL Service would allow a Sponsoring Member to submit to FICC for clearance and settlement Sponsored GC Trades that have been entered into on a done-with basis (i.e., between a CIL Funds Lender and its own Sponsoring Member) or on a done-away basis (i.e., between its Sponsored Member and either a Netting Member other than the Sponsoring Member or another Indirect Participant of any Netting Member). In connection with these changes, FICC is also proposing to amend the existing Sponsored GC Service to allow Sponsoring Members to submit transactions entered into by a Sponsored Member on a done-away basis for clearing. FICC believes that improving the ability of RICs and other cash providers to engage in done-away transactions can facilitate access by increasing the available scope of possible counterparties.[8] Accordingly, allowing a Sponsoring Member to submit to

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[8] See, e.g., Letter from Joanna Mallers, Secretary, FIA Principal Traders Group to Vanessa Countryman, Apr. 17, 2024, in Release No. 34-99844, File No. SR-FICC-2024-007, at 3, available at https://www.sec.gov/comments/sr-ficc-2024-007/srficc2024007-459391-1190934.pdf (emphasizing the negative consequences of a lack of "done-away" clearing); Letter from Jennifer Han, Executive Vice President, Chief Counsel and Head of Global Regulatory Affairs, Managed Funds Association to Vanessa Countryman, Apr. 17, 2024, in Release No. 34-99844, File No. SR-FICC-2024-007, at 5, available at https://www.sec.gov/comments/sr-ficc-2024-007/srficc2024007-461691-1208034.pdf (emphasizing that indirect participants require a robust "done-away" clearing market); Letter from Jiri Krol, Deputy CEO, Global Head of Government Affairs, Alternative Investment Management Association to Vanessa Countryman, Apr. 23, 2024, in Release No. 34-99844, File No. SR-FICC-2024-007, at 4, available at https://www.sec.gov/comments/sr-ficc-2024-007/srficc2024007-462091-1209374.pdf (noting that indirect participants need done-away clearing to access clearing and settlement services); Letter from William Thum, Managing Director and Assistant General Counsel, SIFMA Asset Management Group to Vanessa Countryman, May 24, 2024, in Release No. 34-99844, File No. SR-FICC-2024-007, at 5, available at https://www.sec.gov/comments/sr-ficc-2024-

FICC through the CIL Service or Sponsored GC Service transactions entered into by its Sponsored Member either on a done-away or on a done-with basis should facilitate greater access to FICC's clearance and settlement systems.

(i) Background

FICC established its Sponsoring Member/Sponsored Member service ("Sponsored Member Service") in 2005, allowing certain Netting Members ("Sponsoring Members") to sponsor a Person into a limited FICC/GSD membership as a "Sponsored Member,"[9] and submit to FICC for comparison, Novation, and netting certain types of eligible delivery versus payment ("DVP") securities transactions ("Sponsored DVP Trades"). In 2021, FICC expanded the Sponsored Member Service to create the Sponsored GC Service and permit a Sponsoring Member to submit for clearing a Repo Transaction between the Sponsoring Member and its Sponsored Member (i.e., a "done-with" transaction) involving securities represented by a Generic CUSIP Number and settled on a Sponsored GC Clearing Agent Bank's tri-party repo platform (a "Sponsored GC Trade", and each of a Sponsored DVP Trade and a Sponsored GC Trade, a "Sponsored Member Trade").[10] FICC has seen a steady increase in the volume of Sponsored GC Trades over the past few years.[11]

In December 2023, the Commission adopted rules under the Act to amend the standards applicable to covered clearing agencies for U.S. Treasury securities to require that each covered clearing agency (i) have written policies and procedures reasonably

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007/srficc2024007-477851-1366734.pdf (noting that FICC must facilitate "done-away" trading in a manner that fulfills the Access Requirement (as defined below)).

[9] See Rule 3A, Section 3(a), supra note 3.

[10] See Rule 3A, Section 7(b), supra note 3.

[11] See press release announcing growth in activity cleared through the Sponsored Member Service, available at https://www.dtcc.com/news/2025/march/25/dtccs-ficc-now-live-with-new-treasury-clearing-capabilities.

designed to require that every direct participant of the covered clearing agency submit for clearance and settlement all eligible secondary market transactions ("ESMTs") to which it is a counterparty ("Trade Submission Requirement"), and (ii) ensure that it has appropriate means to facilitate access to clearance and settlement services of all ESMTs, including those of indirect participants ("Access Requirement").[12] In furtherance of the Access Requirement, FICC has adopted new access models and margining arrangements and continues to review how it can further facilitate access by indirect participants to FICC's clearance and settlement services of ESMTs.[13] FICC has also established multiple advisory councils consisting of a broad spectrum of market participants and has regularly engaged, both formally and informally, with direct and indirect participants to identify what further steps FICC can take to facilitate access to central clearing.

Through this engagement, FICC has received feedback that addressing the following considerations would increase the ability of RICs and other cash providers to access FICC's clearance and settlement services:

- RICs, including money market funds that are very active in the Treasury repo market, are subject to regulatory restrictions that constrain their ability to post cash or securities margin to FICC to support their transactions.[14] As a result, a

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[12] Securities Exchange Act Release No. 99149 (Dec. 13, 2023), 89 FR 2714 (Jan. 16, 2024).

[13] To address the Access Requirement, FICC filed a proposed rule change to adopt an Agent Clearing Service ("Access Model Filing") and a separate proposed rule change to permit Segregated Customer Margin arrangements through which a Sponsoring Member may collect margin from a customer and on-post the margin to FICC ("Account Segregation Filing"). On November 21, 2024, the Commission issued orders approving the Access Model Filing and the Account Segregation Filing. See Securities Exchange Act Release Nos. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007); and 101694 (Nov. 21, 2024), 89 FR 93784 (Nov. 27, 2024) (SR-FICC-2024-005).

[14] See, e.g., 15 U.S.C. 80a-17(f). In connection with the Trade Submission Requirement, the Commission issued limited five-year no-action relief providing that, subject to a number of conditions, it would not provide a basis for enforcement action under Section 17(f) of the Investment Company Act if a RIC's cash and/or securities were placed and maintained in the custody of FICC for purposes of meeting FICC's margin deposit requirements that may be imposed for ESMTs in connection with the RIC's participation in the Sponsored Member Service ("Time-Limited RIC No-Action Relief"). However, RIC Sponsored Members have informed FICC that they are largely unable to meaningfully rely on the Time-Limited RIC No-Action Relief

RIC's Sponsoring Member generally must fund such margin obligation in the form of a Clearing Fund deposit, which funding increases the cost to the Sponsoring Member of clearing the RIC's transactions. In addition, Sponsoring Members are generally required to post a haircut to RICs under Sponsored GC Trades so as to facilitate the RIC's compliance with its regulatory obligations under Rule 5b-3 of the Investment Company Act of 1940 ("Investment Company Act").[15] Market participants have described the requirement to post a haircut on top of Clearing Fund deposits as "double margining" and have noted that such double margining serves to limit Sponsoring Members' clearing capacity and thus their ability to provide access to RICs and other indirect participants.[16]

- Many RICs and other cash providers utilize "joint trading accounts," whereby an authorized person of the cash providers, such as the cash providers' investment adviser ("Joint Account Agent"), executes a single transaction on behalf of multiple cash providers and allocates the transaction to the participating cash providers such that each participating cash provider participates in the transaction

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to post margin to FICC in light of the five-year limitation as well as uncertainties regarding the conditions to this relief.

[15] 17 CFR 270.5b-3(c)(1)(i) (providing that, in order for a repurchase transaction to be "Collateralized Fully," "[t]he value of the securities collateralizing the repurchase agreement (reduced by the transaction costs (including loss of interest) that the investment company reasonably could expect to incur if the seller defaults) is, and during the entire term of the repurchase agreement remains, at least equal to the Resale Price provided in the agreement"); see also Adam Copeland et al., Repo Intermediation and Central Clearing: An Analysis of Sponsored Repo (Fed. Rsrv. Bank of N.Y., Staff Rep. No. 1140, Dec. 2024), available at https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1140.pdf (noting that "in some trades with money market funds, on top of FICC's margin, dealers may be expected to deliver a two percent haircut to the money market fund to match prevailing practices in tri-party repo.").

[16] See SIFMA, Urgent Action Required: 5 Unresolved Issues in Treasury Central Clearing Rules (Dec. 10, 2024), available at https://www.sifma.org/resources/news/blog/urgent-action-required-5-unresolved-issues-in-treasury-central-clearing-rules/ (suggesting that the Commission should "eliminate double margining for investment [advisers], as it risks reduced trading and liquidity.").

relative to its allocated portion of the transaction.[17] The Rules require that, when submitting a Sponsored GC Trade to FICC, a Sponsoring Member specify each Sponsored Member that is party to such transaction.[18] However, the time it takes to render the allocation of a transaction executed through a joint trading account may be such that the final allocation is not performed until after the deadline to submit the transaction to FICC has passed. Such timing mismatch can effectively preclude the RIC or other cash provider from clearing transactions executed through a joint trading account.

- The Rules require that Funds-Only Settlement Amounts, including such amounts due with respect to Sponsored GC Trades, be paid or collected twice daily.[19] FICC understands from its engagement with market participants that RICs and other cash providers generally do not have the operational capability to pay or collect such amounts with such frequency, and that there may be regulatory considerations under Section 17(f) of the Investment Company Act or other regulatory regimes that may limit the ability of certain Sponsoring Members to collect or hold Funds-Only Settlement Amounts for RICs or other cash providers.[20] Therefore, Sponsoring Members typically agree to assume a Sponsored Member's Funds-Only Settlement Amount obligations, and to receive a Sponsored Member's Funds-Only Settlement Amount entitlements, under Sponsored GC Trades.[21] However, this practice can be costly or infeasible and

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17 See 1996 SIFMA Master Repurchase Agreement, Annex IV, Paragraph 4, available at https://www.sifma.org/documents/master-repurchase-agreement-mra-2/.

18 See Rule 3A, Section 7(b)(ii)(A), supra note 3.

19 See Schedule of Timeframes, supra note 3.

20 See, e.g., 15 U.S.C. 80a-17(f); Letter from Ken Bentsen, supra note 5.

21 See 2024 SIFMA Master Treasury Securities Clearing Agreement: Done-with, Module II, Section 5 (". . . Customer and Clearing Member agree that (a) Clearing Member shall satisfy any obligation of Customer to FICC to pay any Funds-Only Settlement Amount in respect of the Customer Sponsored GC Trades; and (b) in consideration of the agreement of Clearing Member

introduce questions under regulatory capital requirements if adopted on a greater scale, particularly in the case of term transactions or done-away transactions.

- Currently, a Sponsoring Member may submit to FICC for clearing a "done-away" Sponsored DVP Trade. However, FICC does not currently clear any "done-away" transactions under the Sponsored GC Service. Market participants have expressed interest in being able to clear a "done-away" Sponsored GC Trade (i.e., a Sponsored GC Trade between the Sponsored Member and either a Netting Member other than the Sponsoring Member or another Indirect Participant of any Netting Member), so as to increase a Sponsored Member's potential counterparties and limit the costs and time associated with documenting clearing arrangements with all potential counterparties.

In light of the feedback and to further support its compliance with the Access Requirement, FICC proposes to create the CIL Service that would aim to eliminate "double margining," accommodate transactions executed through a joint trading account, eliminate Funds-Only Settlement Amount obligations for Sponsored GC CIL Trades, and accommodate both done-with and done-away trading. FICC is also proposing to expand the Sponsored GC Service to allow a Sponsoring Member to submit for clearing done-away Sponsored GC Trades. FICC believes that these changes would facilitate the ability of RICs as well as other cash providers to access FICC's clearance and settlement services and to improve the ability of Netting Members to submit transactions to FICC for clearing.

(ii) The CIL Service

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not to seek reimbursement of such amount described in clause (a) from Customer, Clearing Member shall be entitled to any Funds-Only Settlement Amount in respect of the Customer Sponsored GC Trades due to Customer from FICC."), available at https://www.sifma.org/resources/general/treasury-clearing-documentation/.

The proposed CIL Service would leverage much of the legal and operational framework applicable to the existing Sponsored GC Service, including the process for trade submission, the use of Generic CUSIP Numbers, and the process for settling the transactions through the tri-party platform of the Sponsored GC Clearing Agent Bank. Accordingly, the Rules, as proposed to be amended, would generally treat Sponsored GC CIL Trades as Sponsored GC Trades, with limited exceptions designed to address the considerations discussed above.

(A) Sponsored GC CIL Trades and Sponsored GC CIL Omnibus Account

1. Overview

FICC proposes to amend the Rules to establish a new type of transaction, called a "Sponsored GC CIL Trade." A Sponsored GC CIL Trade would be a Sponsored GC Trade entered into by a Sponsored Member,[22] acting as a CIL Funds Lender, and (i) the Sponsored Member's own Sponsoring Member (i.e., "done-with") or (ii) either a Netting Member other than the Sponsoring Member or another Indirect Participant of any Netting Member (i.e., "done-away"). FICC proposes for such Sponsored GC CIL Trades to be recorded in a new type of Indirect Participants Account, called a "Sponsored GC CIL Omnibus Account." The reason FICC is proposing for Sponsored GC CIL Trades to be recorded in a separate Sponsored GC CIL Omnibus Account separate from the general Sponsoring Member Omnibus Account is that the margin requirements for Sponsored GC CIL Trades would be calculated differently from those for general Sponsored Member Trades. In addition, since one of the principal purposes of the CIL Service is to address the inability of CIL Funds Lenders to post margin, and the margin for Segregated Indirect Participants Accounts must generally consist of Indirect Participant assets, the Rules

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[22] Although certain features of the CIL Service are specifically designed to address considerations related to the Investment Company Act, any Sponsored Member would be permitted to be a CIL Funds Lender, and FICC anticipates that cash providers that are not RICs may seek to participate in the service (e.g., if they are participants in joint trading accounts).

would not permit a Sponsored GC CIL Omnibus Account to be a Segregated Indirect Participants Account.

2. *Summary of Proposed Rule Changes*

To effectuate the proposed changes described above, FICC proposes to make the following amendments to its Rules.

New Defined Terms. FICC would revise Rule 1 to add the following new defined terms: (1) CIL Funds Lender, (2) Sponsored GC CIL Omnibus Account, and (3) Sponsored GC CIL Trade.

CIL Funds Lender would mean a Sponsored Member that is a GC Funds Lender in respect of a Sponsored GC CIL Trade.

Sponsored GC CIL Omnibus Account would mean an Account maintained by FICC for a Sponsoring Member to record Sponsored GC CIL Trades submitted to FICC by the Sponsoring Member on behalf of its Sponsored Members.

Sponsored GC CIL Trade would mean a Sponsored GC Trade between a Sponsored Member, acting as GC Funds Lender, and a Netting Member (which may be either its Sponsoring Member or another Netting Member) or another Indirect Participant of any Netting Member that the Sponsoring Member submits for recordation in a Sponsored GC CIL Omnibus Account.

Revisions to Defined Terms. In addition, FICC would make conforming revisions to the following existing defined terms in Rule 1: (1) Indirect Participants Account, (2) Sponsoring Member Omnibus Account, and (3) Type of Account, each as described in greater detail below.

FICC proposes to revise the definition of Indirect Participants Account to include a Sponsored GC CIL Omnibus Account.

FICC proposes to revise the definition of Sponsoring Member Omnibus Account to make clear that Sponsored GC CIL Trades would not be recorded in such an Account.

FICC proposes to revise the definition of Type of Account to include a Sponsored GC CIL Omnibus Account.

Establishment of Sponsored GC CIL Omnibus Account. FICC proposes to revise Sections 2 and 3 of Rule 2B to provide for the establishment of a Sponsored GC CIL Omnibus Account as an additional type of Indirect Participants Account and to make conforming changes. In particular, FICC proposes to amend Section 2 of Rule 2B to add a new clause (iii) providing that if a Netting Member is a Sponsoring Member, FICC may establish and maintain for the Netting Member a Sponsored GC CIL Omnibus Account for purposes of recording Sponsored GC CIL Trades of the Sponsoring Member's Sponsored Members. In addition, FICC proposes to amend Sections 2(i) and 3 of Rule 2B to make clear that a Sponsoring Member Omnibus Account would not have Sponsored GC CIL Trades recorded in it and that a Sponsored GC CIL Omnibus Account may not be a Segregated Indirect Participants Account.

Other conforming changes. FICC proposes to revise Section 8(d) of Rule 3A, which concerns netting offsetting settlement obligations for purposes of calculating a Sponsoring Member's Individual Total Amount, to provide for such provision to apply to Sponsored GC CIL Omnibus Accounts to the same extent as it applies to Sponsoring Member Omnibus Accounts. FICC also proposes to revise Sections 10(a) and 10(b) of Rule 3A, which concern Sponsoring Members' Clearing Fund requirements, to provide for such provisions to apply to Sponsored GC CIL Omnibus Accounts, as applicable.

(B) Risk and Default Management

1. Overview

To address the "double margining" impediment to clearing, FICC proposes to require each CIL Funds Lender to collect a haircut and to grant FICC a lien on the Purchased GC Repo Securities subject to the Sponsored GC CIL Trade. The lien would be documented in a "CIL Custodial Agreement Supplement" between a Sponsored GC

Clearing Agent Bank, a CIL Funds Lender, FICC, and the GC Funds Borrower. The Rules would require that each CIL Custodial Agreement Supplement include, at a minimum, the terms set forth in the Rules and no terms inconsistent with such terms. The CIL Custodial Agreement Supplement would supplement the existing custodial undertaking or similar agreement ("Custody Agreement") governing the account in which the Sponsored GC Clearing Agent Bank maintains the Purchased GC Repo Securities for the CIL Funds Lender ("Buyer's GC CIL Trade Account"). While each pairing of CIL Funds Lender and GC Funds Borrower would be required to enter into a CIL Custodial Agreement Supplement with FICC and the Sponsored GC Clearing Agent Bank, FICC plans to work with Sponsored GC Clearing Agent Banks to develop a streamlined documentation arrangement. Under this arrangement, an individual participant would be able to execute a single adherence document that would have the effect of causing the participant to adhere simultaneously to CIL Custodial Agreement Supplements in relation to all or a portion of their existing Custody Agreements. This is similar to approaches that industry associations have used to allow parties to amend a number of documents simultaneously.[23]

The purpose of the lien would be to allow FICC to acquire the Purchased GC Repo Securities and use them to settle with the GC Funds Borrower in the event FICC ceases to act for the CIL Funds Lender or its Sponsoring Member. In order to facilitate the foregoing, FICC proposes to amend the Rules to provide that if FICC ceases to act for a CIL Funds Lender, FICC may, in lieu of closing out the Sponsored GC CIL Trades (or a portion of any such trades), exercise its right as a secured party in relation to the Purchased GC Repo Securities and instruct the Sponsored GC Clearing Agent Bank to remove such Purchased GC Repo Securities from the account of such CIL Funds Lender.

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23 See ISDA Protocols, available at https://www.isda.org/protocols/.

Under the Rules, FICC would only be permitted to instruct the Sponsored GC Clearing Agent Bank to remove the Purchased GC Repo Securities from the account of the CIL Funds Lender in two scenarios. First, FICC would be able to remove such securities if such removal is against cash in an amount equal to the amount payable to the CIL Funds Lender (i.e., against the repurchase price due back to the CIL Funds Lender in final settlement of the Sponsored GC CIL Trade). Second, FICC would be able to remove the amount of Purchased GC Repo Securities necessary to satisfy the CIL Funds Lender's obligation to return excess Purchased GC Repo Securities or to return Purchased GC Repo Securities for which the GC Funds Borrower has exercised its right to make a substitution. The reason for this instruction right is that the GC Funds Borrower would, as is currently the case under the Sponsored GC Service, generally be entitled to the return of, and the CIL Funds Lender would be required to deliver, Purchased GC Repo Securities that have a market value greater than the value of the Purchased GC Repo Securities when the Sponsored GC CIL Trade was first entered into (the "GC Start Leg Market Value"). Such excess would generally arise due to an increase in the market value of the Purchased GC Repo Securities since the Sponsored GC CIL Trade was executed. In addition, the GC Funds Borrower would be entitled to effectuate, and a CIL Funds Lender would be required to process, a substitution for some or all of the Purchased GC Repo Securities of the same Generic CUSIP Number. In order to ensure that FICC is able to perform its obligations to the GC Funds Borrower in relation to excess Purchased GC Repo Securities and substitutions, the Rules would permit FICC to instruct the Sponsored GC Clearing Agent Bank to remove the "Margin Excess Amount." The Rules would define "Margin Excess Amount" as, in respect of a Sponsored GC Trade, the amount of Purchased GC Repo Securities necessary to (i) cause the market value of the GC Funds Lender's GC Collateral Return Obligation to be no greater than the GC Start Leg Market

Value or (ii) effectuate any permitted substitution of Purchased GC Repo Securities, in each case pursuant to Section 8(b) of Rule 3A.

So as to ensure that the Sponsored GC Clearing Agent Bank acts on such instructions and to perfect FICC's security interest in the Purchased GC Repo Securities, the CIL Custodial Agreement Supplement would contain an agreement by the Sponsored GC Clearing Agent Bank to comply with FICC's instructions except following delivery by the CIL Funds Lender to the Sponsored GC Clearing Agent Bank of a notice of a Corporation Default (a "GC CIL Notice of Default"). The reason the Sponsored GC Clearing Agent Bank would agree not to act on FICC's instructions following the delivery by the CIL Funds Lender of a CIL GC Notice of Default is to ensure that, consistent with market practice and the requirements of Investment Company Act Rule 5b-3, the CIL Funds Lender would be able to exercise remedies against the Purchased GC Repo Securities promptly upon a Corporation Default without potential competing instructions from FICC.[24] In addition, the CIL Custodial Agreement Supplement would provide that the CIL Funds Lender, FICC and the GC Funds Borrower all agree that the Sponsored GC Clearing Agent Bank would, until the CIL Funds Lender has delivered a GC CIL Notice of Default to the Sponsored GC Clearing Agent Bank, act upon FICC's instructions to transfer Purchased GC Repo Securities from the Buyer's GC CIL Trade Account to an account specified in such instruction (i) in an amount no greater than the Margin Excess Amount or (ii) against cash in an amount equal to the amount payable to the CIL Funds Lender at such time. By virtue of these provisions, FICC would effectively be able to settle a Sponsored GC CIL Trade by (i) acquiring the Purchased GC Repo Securities it needs to deliver to the GC Funds Borrower on the Sponsored GC CIL Trade

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[24] See 17 CFR 270.5b-3.

and (ii) transferring to the CIL Funds Lender the cash due to it (including the purchase price and accrued price differentials) under the Sponsored GC CIL Trade.

The ability of FICC to acquire the Purchased GC Repo Securities and use them to settle with the GC Funds Borrower would, except in limited circumstances discussed below, eliminate the need for FICC to collect margin in relation to the CIL Funds Lender's obligations under the Sponsored GC CIL Trade. In the context of a reverse repurchase transaction ("reverse repo"), FICC collects margin to ensure that it has sufficient resources in the event it ceases to act for the reverse repo buyer or its Sponsoring Member, to purchase the relevant securities and deliver them to the non-defaulting pre-Novation counterparty. However, if FICC can acquire the securities without taking market action by virtue of a lien on such securities, it would not need margin to secure the CIL Funds Lender's obligations.

In light of FICC's lien and its right to instruct the Sponsored GC Clearing Agent Bank in relation to the Purchased GC Repo Securities, FICC would generally be able to settle with the GC Funds Borrower and CIL Funds Lender even if FICC ceased to act for the CIL Funds Lender's Sponsoring Member. In such a situation, FICC would simply give the instruction to the Sponsored GC Clearing Agent Bank to complete settlement or allow the CIL Funds Lender to do so.

Nonetheless, a default of the Sponsoring Member could prevent FICC from effectuating such settlement, if the GC Funds Borrower on the Sponsored GC CIL Trade is the defaulting Sponsoring Member or an Indirect Participant of that Sponsoring Member or its Affiliate. In such default scenario, FICC may not be able to settle the Sponsored GC CIL Trade at all. For example, if the GC Funds Borrower is an Indirect Participant of the defaulting Sponsoring Member and the Sponsoring Member's trustee or bankruptcy receiver refuses to perform its obligation as processing agent for such Indirect Participant to complete settlement, FICC would not be able to settle. In other cases, FICC

may be able to complete full or partial settlement notwithstanding the fact that it has ceased to act for the Sponsoring Member. For instance, if the Sponsoring Member were the GC Funds Borrower but entered into a back-to-back FICC-cleared transaction involving some or all of the Purchased GC Repo Securities with a Netting Member or an Indirect Participant of a third party Netting Member, the Sponsoring Member's obligations would net out under Rule 22A, and FICC would be able to complete settlement with the Sponsoring Member's pre-Novation counterparty on the back-to-back transaction.

To address these possibilities, FICC proposes to provide that, if FICC ceases to act for the Sponsoring Member, and the GC Funds Borrower is the defaulting Sponsoring Member or one of its Indirect Participants, FICC may, as an alternative to effectuating settlement or exercising rights under its lien, terminate the Sponsored GC CIL Trade (or portion thereof). In such situation, the CIL Funds Lender would be permitted to take such market action in relation to the relevant Purchased GC Repo Securities as it determines in its discretion. In furtherance of the foregoing, the CIL Custodial Agreement Supplement would permit the CIL Funds Lender to instruct the Sponsored GC Clearing Agent Bank in relation to any Purchased GC Repo Securities that FICC has informed the Sponsored GC Clearing Agent Bank FICC does not intend to use to complete settlement with the relevant GC Funds Borrower.

Were FICC to terminate a Sponsored GC CIL Trade (or a portion thereof), FICC would calculate a liquidation amount owing in respect thereof to Rule 22A. If the liquidation amount is owed by the CIL Funds Lender to FICC, FICC would require resources to ensure the CIL Funds Lender can satisfy its obligation to pay such amount. To the extent the Sponsoring Member posted Clearing Fund to secure the obligations of the GC Funds Borrower, that Clearing Fund could serve as such resources. Accordingly, FICC proposes to amend the Rules to allow it to look to such Clearing Fund deposits to

address a CIL Funds Lender's obligations in the event FICC closes out the Sponsored GC CIL Trades. However, if the GC Funds Borrower is an Indirect Participant that has posted Segregated Customer Margin, such margin would only be available to cover the GC Funds Borrower's obligations and could not be used to address the obligations of a CIL Funds Lender. FICC would therefore require other resources to cover such liquidation amount.

FICC proposes to address such need for additional resources in two ways. First, FICC proposes to require that a Sponsored GC CIL Trade have an Initial Haircut no less than 2 percent of the Contract Value of the Start Leg or such other amount determined by FICC ("CIL Required Haircut"). This requirement would be broadly consistent with the market practice of how uncleared triparty repos of RICs are overcollateralized today.[25] FICC would provide Netting Members with at least 30 Business Days' advance notice of any changes to the CIL Required Haircut. A change to the CIL Required Haircut may be driven by, for example, a shift in market practice related to initial haircuts to require a higher initial haircut to address the requirement within the Investment Company Act Rule 5b-3 that Sponsored GC CIL Trades be "Collateralized Fully".[26]

Second, FICC proposes to subject the CIL Funds Lender's Sponsoring Member to a Clearing Fund requirement for a Sponsored GC CIL Omnibus Account ("Sponsored GC CIL Omnibus Account Required Fund Deposit") in circumstances when such is necessary to ensure that FICC would have resources, in the form of Clearing Fund deposits or Purchased GC Repo Securities, no less than the Clearing Fund FICC would otherwise collect in relation to the transaction. More specifically, FICC would calculate a

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[25] See supra note 15.

[26] 17 CFR 270.5b-3(a) (stating that "the acquisition of a repurchase agreement may be deemed to be an acquisition of the underlying securities, provided the obligation of the seller to repurchase the securities from the investment company is Collateralized Fully"); 17 CFR 270.5b-3(c)(1) (defining "Collateralized Fully").

Sponsored GC CIL Omnibus Account Required Fund Deposit if (and only if) (1) the Sponsored GC CIL Omnibus Account has been enabled to record Sponsored GC CIL Trades for which the GC Funds Borrower is its Sponsoring Member or a Segregated Indirect Participant of its Sponsoring Member; and (2) that Sponsoring Member or its Affiliate has a Segregated Indirect Participants Account. As noted above, only in that situation would FICC not have clearly available alternative resources (in the form of other Clearing Fund deposits and Purchased GC Repo Securities) to cover the obligations of a CIL Funds Lender. In all other situations, the Sponsoring Member would not be required to post any Clearing Fund in relation to a Sponsored GC CIL Omnibus Account.

The Sponsored GC CIL Omnibus Account Required Fund Deposit would be the greater of a $1 million minimum and the sum of all applicable charges, which would include a VaR Charge, a Portfolio Differential Charge, and other applicable charges.[27] The VaR Charge would be calculated for each CIL Funds Lender as the positive difference between (1) the amount of VaR Charge that FICC would have collected if the Sponsored GC CIL Trades of that CIL Funds Lender had been subject to the calculation of a Sponsoring Member Omnibus Account Required Fund Deposit, and (2) the aggregate of all CIL Required Haircuts on that CIL Funds Lender's Sponsored GC CIL Trades.

FICC's security interest in Purchased GC Repo Securities subject to Sponsored GC CIL Trades would also generally remove the need for the Sponsoring Member to guarantee to FICC the performance by the CIL Funds Lender of its obligations under the Sponsored GC CIL Trades, since FICC's lien generally would allow it to obtain the

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[27] The Portfolio Differential Charge addresses the variability of clearing activity submitted to GSD throughout the day by measuring the period-over-period increase in the VaR Charge of Members. The additional charges that may be included in a Sponsored GC CIL Omnibus Account Required Fund Deposit when applicable would include a Backtesting Charge, Holiday Charge, Margin Liquidity Adjustment Charge and Intraday Supplemental Deposit. The calculation of each of these additional charges would be the same as when calculated with respect to a Sponsoring Member Omnibus Account.

Purchased GC Repo Securities and perform to the GC Funds Borrower. Accordingly, FICC proposes to amend the Rules to provide that, notwithstanding anything to the contrary set forth in any Sponsoring Member Guaranty, the Sponsoring Member does not guarantee to FICC and, except as expressly set forth in the Rules, shall not be responsible for, the obligations of a Sponsored Member arising under any Sponsored GC CIL Trade for which the Sponsored Member is the CIL Funds Lender.

Because FICC would generally anticipate addressing a CIL Funds Lender default by utilizing the lien to settle with the GC Funds Borrower, FICC proposes to amend Section 16 of Rule 3A, which generally allows a Sponsoring Member to liquidate a done-with Sponsored Member Trade, to provide that a Sponsoring Member may only trigger that provision if FICC has not exercised its rights as a secured party. In addition, although as mentioned above, FICC would not generally require a Sponsoring Member to guarantee the obligations of a CIL Funds Lender, Section 16 of Rule 3A generally depends on the Sponsoring Member being responsible for the obligations of the Sponsored Member. Accordingly, FICC is proposing to amend the Rules to provide that, in the event that the Sponsoring Member did exercise its rights under Section 16 of Rule 3A to terminate any done-with Sponsored GC CIL Trades, the Sponsoring Member would be responsible for any Sponsored Member Liquidation Amount owed by the CIL Funds Lender.

In addition to perfecting FICC's security interest in the Purchased GC Repo Securities and allowing FICC to give instructions so as to complete settlement with the GC Funds Borrower, the CIL Custodial Agreement Supplement would include a number of terms to facilitate the ability of RICs to conclude that Sponsored GC CIL Trades are "Collateralized Fully" within the meaning of Investment Company Act Rule 5b-3.[28] In

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[28] See 17 CFR 270.5b-3(a), supra note 26.

particular, the CIL Custodial Agreement Supplement would make clear that the Buyer's GC CIL Trade Account is a "deposit account"[29] in relation to cash and a "securities account"[30] in relation to securities and other financial assets, and include acknowledgments from all relevant parties that the CIL Funds Lender is the "entitlement holder"[31] of each Buyer's GC CIL Trade Account constituting a securities account, and each financial asset credited thereto, and the "bank's customer"[32] of each Buyer's GC CIL Trade Account constituting a "deposit account,"[33] as such terms are used in the New York Uniform Commercial Code ("UCC"). Accordingly, the CIL Funds Lender would have "control" of each such account and all security entitlements, securities, financial assets, or cash credited thereto pursuant to UCC Section 8-106(d)(1) and UCC Section 9-104(a)(3), as applicable.[34] Under the UCC, control serves to perfect a security interest in a securities account or deposit account and all assets credited thereto.[35] In addition, the CIL Custodian Agreement Supplement would provide the CIL Funds Lender with the ability to take exclusive control of the Buyer's GC CIL Trade Account and issue

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29 See UCC 9-102(a)(29) (defining "deposit account" to mean "a demand, time, savings, passbook, or similar account maintained with a bank").

30 See UCC 8-501(a) (defining "securities account" to mean "an account to which a financial asset is or may be credited in accordance with an agreement under which the person maintaining the account undertakes to treat the person for whom the account is maintained as entitled to exercise the rights that comprise the financial asset").

31 See UCC 8-102(a)(7) (defining an "entitlement holder" to mean "a person identified in the records of a securities intermediary as the person having a security entitlement against the securities intermediary").

32 See UCC 9-104(a)(3) (providing that a secured party has control of a deposit account if "the secured party becomes the bank's customer with respect to the deposit account").

33 See UCC 9-102(a)(29), supra note 29.

34 See UCC 8-106(d)(1) (providing that a purchaser has "control" of a security entitlement if "the purchaser becomes the entitlement holder"); UCC 9-104(a)(3) (providing that a secured party has control of a deposit account if "the secured party becomes the bank's customer with respect to the deposit account").

35 See UCC 9-314(a) (providing that a security interest in investment property and deposit accounts "may be perfected by control of the collateral").

instructions to the Sponsored GC Clearing Agent Bank with respect to such account upon delivery to the Sponsored GC Clearing Agent Bank of a CIL GC Notice of Default.[36]

FICC is also proposing in the Rules certain terms that it understands from RICs are important to facilitate a conclusion that the Sponsored GC CIL Trades are "Collateralized Fully." Specifically FICC is proposing to provide in the Rules that, although each Sponsored GC CIL Trade is a sale and purchase and not a loan, in the event any such transaction is deemed to be a loan, FICC pledges to the relevant CIL Funds Lender as security for the performance by FICC of its obligations under such Sponsored GC CIL Trade, and grants such CIL Funds Lender a security interest in, all of FICC's rights, title and interest in and to the securities, financial assets and cash delivered to the CIL Funds Lender pursuant to such Sponsored GC CIL Trade and from time to time credited to the Buyer's GC CIL Trade Account, together with all proceeds of the foregoing.

The proposed CIL Service would not present any additional or new liquidity risks to FICC. FICC would incorporate Sponsored GC CIL Trades into its liquidity risk management calculations and into the calculation of Sponsoring Members' obligations with respect to the Capped Contingency Liquidity Facility ("CCLF"), as set forth in Section 2a(b) of Rule 22A, using the same methodology, logic and parameters that FICC uses with respect to Sponsored GC Trades.

2. *Summary of Proposed Rule Changes*

To effectuate the proposed changes described above, FICC proposes to make the following amendments to its Rules.

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[36] See 17 CFR 270.5b-3(c)(1)(v) (requiring that "[u]pon an Event of Insolvency with respect to the seller, the repurchase agreement would qualify under a provision of applicable insolvency law providing an exclusion from any automatic stay of creditors' rights against the seller").

New defined terms. FICC would revise Rule 1 to add the following new defined terms: (1) CIL Custodial Agreement Supplement, (2) CIL Required Haircut, (3) Margin Excess Amount, and (4) Sponsored GC CIL Omnibus Account Required Fund Deposit.

CIL Custodial Agreement Supplement would mean an agreement between a Sponsored GC Clearing Agent Bank, a CIL Funds Lender, FICC and a GC Funds Borrower that includes, at a minimum, the required terms set forth in a Schedule of Material Terms to the CIL Custodial Agreement Supplement, to be included in the Rules, and nothing inconsistent with those terms.

The CIL Custodial Agreement Supplement would be part of the agreement (often titled a "Custodial Undertaking") between the CIL Funds Lender, the GC Funds Borrower, and the Sponsored GC Clearing Agent Bank that governs the establishment of the accounts of the CIL Funds Lender and the GC Funds Borrower at the Sponsored GC Clearing Agent Bank, the processes for effecting transfers of cash or securities to or from such accounts, and the rights of the applicable parties relating to such accounts.

CIL Required Haircut would mean no less than 2 percent of the Contract Value of the Start Leg or such other amount as FICC may, with no less than thirty (30) Business Days' advance notice, make available to Netting Members in an Important Notice (or such other form as FICC may determine) and communicate to the Sponsored GC Clearing Agent Bank.

Margin Excess Amount would mean, in respect of a Sponsored GC Trade, the amount of Purchased GC Repo Securities necessary to (i) cause the market value of the GC Funds Lender's GC Collateral Return Obligation to be no greater than the GC Start Leg Market Value or (ii) effectuate any permitted substitution of Purchased GC Repo Securities, in each case pursuant to Section 8(b) of Rule 3A.

Sponsored GC CIL Omnibus Account Required Fund Deposit would mean the Sponsoring Member's Required Fund Deposit Portion that is calculated on the basis of the Sponsoring Member's Sponsored GC CIL Omnibus Account(s).

Revisions to defined terms. FICC proposes to revise the definition of Required Fund Deposit Portion to mean each item listed in Section 2(a)(i)-(v) of Rule 4, as a conforming change in light of the addition of a new clause (v) in Section 2(a) of Rule 4 as described below.

The definition of VaR Charge, set forth in Section 5 of the Margin Component Schedule, would be revised to provide that, with respect to each CIL Funds Lender, such charge would be calculated as the positive difference between (1) the amount of VaR Charge that FICC would have collected if the Sponsored GC CIL Trades of that CIL Funds Lender had been subject to the calculation of a Sponsoring Member Omnibus Account Required Fund Deposit, and (2) the aggregate of all CIL Required Haircuts on that CIL Funds Lender's Sponsored GC CIL Trades.

Other Amendments. FICC proposes the following additional amendments.

FICC proposes to amend the last paragraph of Section 1 of Rule 3A to provide that, notwithstanding anything to the contrary set forth in any Sponsoring Member Guaranty, the Sponsoring Member does not guarantee to FICC, and, except as expressly set forth in the Rules, shall not be responsible for, the obligations of a Sponsored Member arising under any Sponsored GC CIL Trade for which the Sponsored Member is the CIL Funds Lender.

FICC proposes to revise Section 7(b)(i) of Rule 3A to specify that Sponsored GC CIL Trades must have an Initial Haircut no less than the CIL Required Haircut, and further provide that no modification to the CIL Required Haircut (as provided for in the definition of the CIL Required Haircut) would apply to Sponsored GC CIL Trades that have been Novated to FICC prior to the effectiveness of such modification.

FICC proposes to add a new Section 7(b)(v) to Rule 3A to provide that, although FICC and each CIL Funds Lender intend that each Sponsored GC CIL Trade be a sale and purchase and not a loan, in the event any such transaction is deemed to be a loan, FICC pledges to the relevant CIL Funds Lender as security for the performance by FICC of its obligations under such Sponsored GC CIL Trade, and grants such CIL Funds Lender a security interest in, all of FICC's rights, title and interest in and to the securities, financial assets and cash delivered to the CIL Funds Lender pursuant to such Sponsored GC CIL Trade and from time to time credited to the Buyer's GC CIL Trade Account, together with all proceeds of the foregoing.

FICC proposes to revise Section 10(c) of Rule 3A to provide that Sponsored GC CIL Omnibus Account Required Fund Deposit with respect to obligations of a Sponsoring Member arising under Sponsored GC CIL Trades would be subject to the same requirements as Sponsoring Member Omnibus Account Required Fund Deposit, if applicable. The revised Section 10(c) would also provide that a Netting Member's Actual Deposit would secure (1) the Netting Member's obligation to provide Sponsored GC CIL Omnibus Account Required Fund Deposit, if applicable, and (2) the obligations of the CIL Funds Lender under each Sponsored GC CIL Trade for which the Netting Member acts as Sponsoring Member.

FICC proposes to revise Section 10(e) of Rule 3A to provide that, consistent with the existing provision under Rule 3A that prohibits Sponsoring Members from engaging in cross-margining with respect to Sponsoring Member Omnibus Accounts, a Sponsoring Member would not be eligible to participate in any Cross-Margining Arrangements with respect to any Sponsored GC CIL Omnibus Account.

FICC proposes to revise Section 10(f) of Rule 3A to provide that, unlike for other Sponsored GC Trades, for purposes of the application of Rule 4 and the Margin

Component Schedule to a Sponsoring Member Omnibus Account, Sponsored GC CIL Trades would not be treated as GCF Repo Transactions.

FICC proposes to add a new Section 10(g) to Rule 3A to provide that, to secure the full and timely performance of its obligations to FICC in connection with each Sponsored GC CIL Trade, each CIL Funds Lender would be required to execute a CIL Custodial Agreement Supplement wherein it pledges and grants to FICC, and agrees that FICC shall have, a continuing lien on and security interest in, all of such CIL Funds Lender's rights, title and interest in and to all Purchased GC Repo Securities subject to each outstanding Sponsored GC CIL Trade.

FICC proposes to revise Section 13 of Rule 3A to add a new Section 13(d) to provide that, if FICC ceases to act for a CIL Funds Lender, FICC may, in lieu of applying the provisions of Rule 22A in relation to one or more Sponsored GC CIL Trades (or a portion of any such trade), exercise its rights as a secured party in relation to some or all of the Purchased GC Repo Securities in respect of the Sponsored GC CIL Trades of such CIL Funds Lender and, in connection therewith, instruct the Sponsored GC Clearing Agent Bank to remove such Purchased GC Repo Securities from the account of such CIL Funds Lender (x) in an amount no greater than the Margin Excess Amount or (y) in an amount FICC determines to be equal to the amount payable to the CIL Funds Lender in connection with its GC Collateral Return Obligation corresponding to such Purchased GC Repo Securities.

FICC proposes to amend Section 14(d) of Rule 3A to make clear that the provisions of Section 14(e), rather than the last sentence of Section 14(d), would specify the actions FICC may take in respect of Sponsored GC CIL Trades if FICC ceases to act for a Sponsoring Member.

FICC proposes to add a new Section 14(e) to Rule 3A that addresses the actions FICC may take in respect of Sponsored GC CIL Trades if FICC ceases to act for a

Sponsoring Member. It would provide that, in such situation, FICC may, in its discretion, either (i) transfer such Sponsored GC CIL Trades to another Sponsoring Member pursuant to Rule 26, (ii) settle all or a portion of the GC Collateral Return Obligations arising from such Sponsored GC CIL Trades as well as all corresponding Margin Excess Amount obligations, (iii) utilize its lien to achieve such effective settlement, or (iv) if the GC Funds Borrower to such Sponsored GC CIL Trade was the Sponsoring Member or an Indirect Participant of such Sponsoring Member, terminate such Sponsored GC CIL Trade, in which case Rule 22A would apply in relation to such Sponsored GC CIL Trade.

FICC proposes to revise Section 16 of Rule 3A to provide that the Sponsoring Member may utilize the close-out mechanism therein for any done-with Sponsored Member Trade (including any done-with Sponsored GC Trade and any done-with Sponsored GC CIL Trade) and to add as a condition to such utilization in the context of a Sponsored GC CIL Trade (or a portion of any such trade) that FICC has not exercised its rights set forth in proposed Section 13(e) of Rule 3A, as described above.

FICC proposes to revise Section 2(a) of Rule 4 regarding the components of the Required Fund Deposit a Netting Member must make to add a new clause (v) consisting of an amount calculated with respect to the Netting Member's Margin Portfolios that include one or more Sponsored GC CIL Omnibus Accounts, when such amount is applicable pursuant to the Margin Component Schedule.

FICC also proposes to amend Section 4(a) of Rule 4 to provide that a Netting Member's Clearing Fund deposit and other collateral pledged thereunder would secure all obligations and liabilities of the Netting Member's Sponsored Members in respect of Sponsored GC CIL Trades in the Netting Member's Sponsored GC CIL Omnibus Account (if applicable).

FICC proposes to revise Section 2 of Rule 22A to provide that FICC would not close out a Sponsored GC CIL Trade (or a portion thereof) if it determines to exercise its

right as a secured party in relation to the relevant Purchased GC Repo Securities, and that the CIL Funds Lender may take market action in relation to the Purchased GC Repo Securities in respect of a Sponsored GC CIL Trade (or a portion thereof) in its discretion if FICC determines to terminate the Sponsored GC CIL Trade (or such portion).

FICC proposes to revise Section 2 of the Margin Component Schedule to add a new subsection (c) that describes when a Sponsored GC CIL Omnibus Account Required Fund Deposit may be calculated with respect to a Sponsored GC CIL Omnibus Account and the components of that calculation. This subsection would provide that a Sponsored GC CIL Omnibus Account Required Fund Deposit would only be calculated if (1) the Sponsored GC CIL Omnibus Account has been enabled to record Sponsored GC CIL Trades for which the GC Funds Borrower is its Sponsoring Member or a Segregated Indirect Participant of its Sponsoring Member; and (2) that Sponsoring Member or its Affiliate has a Segregated Indirect Participants Account.

FICC proposes to also provide in the new Section 2(c) of the Margin Component Schedule that, on each Business Day, FICC would determine the Sponsored GC CIL Omnibus Account Required Fund Deposit, for each Margin Portfolio that includes one or more Sponsored GC CIL Omnibus Accounts, as an Unadjusted GSD Margin Portfolio Amount equal to the sum of (i) the VaR Charge, plus (ii) the Portfolio Differential Charge. This proposed section would also provide that the following charges may be added to the Unadjusted GSD Margin Portfolio Amount, when applicable: (i) Backtesting Charge, (ii) Holiday Charge, (iii) Margin Liquidity Adjustment Charge, and (iv) Intraday Supplemental Fund Deposit.

FICC proposes to amend Section 2(d) (as renumbered) to provide that any Sponsored GC CIL Omnibus Account Required Fund Deposit that is collected would be equal to the greater of (i) the sum of the Unadjusted GSD Margin Portfolio Amount and all applicable additional charges; and (ii) a minimum charge of $1 million.

FICC proposes to add a Schedule of CIL Custodial Agreement Supplement Material Terms to the Rules, which would set forth the minimum terms that would be required to be included in an agreement for that agreement to qualify as a CIL Custodial Agreement Supplement pursuant to the definition of such term in the Rules. Such minimum terms would include: (i) the establishment of Buyer's GC CIL Trade Accounts to which all securities transferred pursuant to a Sponsored GC CIL Trade and proceeds thereof would be credited; (ii) the creation of FICC's lien in each Buyer's GC CIL Trade Account and assets credited thereto, and the obligation for the Sponsored GC Clearing Agent Bank to comply with FICC's instructions with respect thereto, except following a Corporation Default; (iii) the obligation for the Sponsored GC Clearing Agent Bank to comply with certain instructions of the CIL Funds Lender in connection with the final settlement of a Sponsored GC CIL Trade, following FICC's decision to terminate a Sponsored GC CIL Trade after the default of the Sponsoring Member, or upon a Corporation Default; and (iv) terms to facilitate the ability of CIL Funds Lenders that are RICs to conclude that Sponsored GC CIL Trades are "Collateralized Fully" within the meaning of Investment Company Act Rule 5b-3, as discussed above.[37]

(C) CIL Joint Accounts

1. Overview

FICC understands from its engagement with market participants that RICs and other cash providers that have engaged a common investment adviser may seek to enter into triparty repo transactions using "joint trading accounts." The investment adviser acts as agent for the joint trading account in accordance with guidance issued by Commission staff. The obligations of the investment adviser and a cash provider in relation to the joint

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[37] 17 CFR 270.5b-3(c)(1)(v) (requiring that "[u]pon an Event of Insolvency with respect to the seller, the repurchase agreement would qualify under a provision of applicable insolvency law providing an exclusion from any automatic stay of creditors' rights against the seller").

trading account are typically set out in an agreement between the investment adviser and the cash provider.

One of the obligations of an investment adviser that acts on behalf of a joint trading account is to "allocate" transactions entered into through the joint trading account to the individual participants. FICC understands that such allocation serves to cause the transaction to constitute separate individual transactions between the counterparty and each participant based on the participant's allocated portion. FICC further understands that, prior to such allocation, the transaction remains a single transaction, but with each participant having a pro rata interest in it and being liable for a pro rata share of the obligations. Regardless of whether a transaction has been allocated or not, FICC understands that each participant's entitlement to the purchased securities in the triparty account corresponds to its portion of the relevant transaction.

To facilitate the ability of CIL Funds Lenders to access FICC's clearance and settlement systems in relation to transactions executed through a joint trading account, FICC proposes to permit two or more CIL Funds Lenders to be represented by an agent (a "CIL Joint Account Agent") that has been approved by FICC. Each such CIL Funds Lender and CIL Joint Account Agent would need to sign and deliver to FICC a "CIL Joint Account Agent Agreement" in such form as may be prescribed by FICC. The CIL Joint Account Agent Agreement would require the CIL Funds Lender and CIL Joint Account Agent to represent that their performance of their obligations under the CIL Joint Account Agent Agreement and the Rules is in compliance with all applicable law. FICC further proposes to amend its Rules to permit a Sponsoring Member to submit to FICC for Novation a Sponsored GC CIL Trade entered into by a CIL Joint Account Agent on behalf of multiple CIL Funds Lenders (each such Sponsored GC CIL Trade, a "CIL Joint Account Block").

Each such CIL Funds Lender on whose behalf a CIL Joint Account Block has been submitted would only be entitled to, and liable for, its respective portion of the rights and obligations arising under or in connection with the CIL Joint Account Block. The responsibility to calculate such portions as well as to engage in the formal allocation would be on the CIL Joint Account Agent in accordance with the terms of any investment management or other agreement between the CIL Joint Account Agent and the CIL Funds Lender. The Rules would provide that, if the CIL Joint Account Agent has performed such allocation, the entitlement of each CIL Funds Lender to, and liability of each such CIL Funds Lender for, the rights and obligations arising under or in connection with such CIL Joint Account Block shall be limited to the amount of such CIL Joint Account Block allocated to each such CIL Funds Lender. If the CIL Joint Account Agent has not performed such allocation, the CIL Funds Lender would be liable for its pro rata portion of the transaction.

FICC proposes to adopt amendments to the Rules that would address how FICC would handle the default of a CIL Funds Lender on whose behalf a CIL Joint Account Block has been submitted. FICC understands that RICs are generally subject to regulatory requirements that limit their ability to agree to have their transactions affected as a result of a circumstance affecting another firm acting through the same joint trading account. FICC therefore proposes to provide in the Rules that, in a default of a CIL Funds Lender on whose behalf a CIL Joint Account Block has been submitted, FICC would, to the extent it determines doing so is feasible and consistent with applicable law, exercise remedies in a way that would have no significant adverse impact on the interest of any non-defaulting CIL Funds Lender in such CIL Joint Account Block or the Purchased GC Repo Securities related thereto.

If FICC cannot exercise remedies in a way that does not have a significant adverse impact on the interest of any non-defaulting CIL Funds Lender (e.g., if the CIL

Joint Account Block has not been allocated), FICC would, to the extent it determines that doing so is not prohibited by, and would not prejudice its rights under, applicable law and is necessary to preserve the interest of any non-defaulting CIL Funds Lenders, refrain from exercising remedies against the CIL Funds Lender in relation to such CIL Joint Account Block or Purchased GC Repo Securities, including its rights under its security interest in the Purchased GC Repo Securities, except to facilitate the movement of any Margin Excess Amount or on the maturity date of the CIL Joint Account Block, at which point FICC would cause the transfer of the Purchased GC Repo Securities against the amount due under the CIL Joint Account Block. As discussed above, in relation to a defaulting CIL Funds Lender, such exercise would constitute an exercise of remedies as a secured party. In relation to any non-defaulting CIL Funds Lender, such exercise of remedies would constitute settlement of its portion of the CIL Joint Account Block in relation to mark-to-market, substitution, or final settlement obligations with respect thereto.

In order to ensure that FICC knows the respective interests of the defaulting and non-defaulting CIL Funds Lenders in a CIL Joint Account Block, FICC proposes to require that a CIL Joint Account Agent provide FICC with certain information in the event FICC ceases to act for a CIL Funds Lender on whose behalf a CIL Joint Account Agent acts. In particular, the Rules would provide that, in the event FICC ceases to act for a CIL Funds Lender that is a participant in a CIL Joint Account Block, the relevant CIL Joint Account Agent must promptly notify FICC whether such CIL Joint Account Block had been allocated and, if so, the respective allocation to the defaulting CIL Funds Lender. The Rules would further provide that the CIL Joint Account Agent would not be permitted to change the allocation information with respect to the defaulting CIL Funds Lender following such notification. FICC does not propose to require the CIL Joint Account Agent to provide allocation information outside the context of a default by a CIL

Funds Lender because, in light of FICC's lien on the Purchased GC Repo Securities and instruction right, FICC does not require such information to risk manage the Sponsored GC CIL Trade or to effectuate settlement thereof.

2. *Summary of Proposed Rule Changes*

To effectuate the proposed changes described above, FICC proposes to make the following amendments to its Rules.

New defined terms. FICC would revise Rule 1 to add the following new defined terms: (1) CIL Joint Account, (2) CIL Joint Account Agent, (3) CIL Joint Account Agent Agreement, and (4) CIL Joint Account Block.

CIL Joint Account would mean a group of two or more CIL Funds Lenders represented by a CIL Joint Account Agent.

CIL Joint Account Agent would mean an entity authorized to enter into Sponsored GC CIL Trades on behalf of two or more CIL Funds Lenders.

CIL Joint Account Agent Agreement would mean the agreement required by new Section 3A of Rule 3A (as described below) to be signed and delivered to FICC by each CIL Funds Lender that would be represented by a CIL Joint Account Agent and the applicable CIL Joint Account Agent.

CIL Joint Account Block would mean a Sponsored GC CIL Trade entered into by a CIL Joint Account Agent on behalf of multiple CIL Funds Lenders.

Other amendments. FICC proposes to add a new Section 3A to Rule 3A to facilitate the ability of CIL Funds Lenders to clear transactions executed through joint trading accounts as described above. Specifically:

Paragraph (a) of proposed Section 3A would provide that two or more CIL Funds Lenders may be represented by a CIL Joint Account Agent that has been approved by FICC subject to each such CIL Funds Lender and such CIL Joint Account Agent signing and delivering a CIL Joint Account Agent Agreement to FICC in such form as may be

prescribed by FICC. If FICC terminates the CIL Joint Account Agent Agreement, the CIL Joint Account Agent would no longer be permitted to represent the CIL Funds Lenders in relation to any new CIL Joint Account Block, except in respect of any outstanding CIL Joint Account Block(s) that have been Novated. FICC's termination of the CIL Joint Account Agent Agreement would not affect such CIL Joint Account Block(s), nor would it affect the CIL Joint Account Agent's ability to act on behalf of a CIL Funds Lender in another capacity.

Paragraph (b) of proposed Section 3A would provide that a CIL Joint Account Agent may enter into, and a Sponsoring Member may submit to FICC for Novation in accordance with Rule 3A, a CIL Joint Account Block on behalf of multiple CIL Funds Lenders. Each CIL Funds Lender would be entitled to, and responsible for, only the rights and obligations associated with the portion of the CIL Joint Account Block allocated to it. If any portion of the obligations to FICC remains unallocated, each represented CIL Funds Lender would be liable for its pro rata share of those unallocated obligations.

Paragraph (c) of proposed Section 3A would address the exercise of remedies in the event FICC ceases to act for a CIL Funds Lender on whose behalf a CIL Joint Account Block has been submitted. In such event, for each CIL Joint Account Block entered into by a CIL Joint Account Agent in respect of a CIL Joint Account in which the defaulted CIL Funds Lender is a participant at the time the CIL Joint Account Block was entered into, the CIL Joint Account Agent would need to promptly notify FICC (A) whether the defaulting CIL Funds Lender was a CIL Funds Lender on behalf of which such CIL Joint Account Agent entered into such CIL Joint Account Block and (B) for each such CIL Joint Account Block, (x) the amount of such CIL Joint Account Block that has been allocated to the defaulting CIL Funds Lender or (y) that such CIL Joint Account Block was not allocated by the CIL Joint Account Agent among the defaulting CIL Funds

Lender and the other CIL Funds Lenders represented by such CIL Joint Account Agent in the applicable CIL Joint Account, in each case as of the time of such notification. After such notification, the CIL Joint Account Agent would not be permitted to allocate or reallocate any CIL Joint Account Block or any portion thereof to or from the defaulting CIL Funds Lender.

Paragraph (c) would further provide that, to the extent FICC determines it is feasible and consistent with applicable law, FICC would exercise remedies in a manner that does not have a significant adverse impact on the interest of any non-defaulting CIL Funds Lender in the relevant CIL Joint Account Block or the related Purchased GC Repo Securities. If FICC determines that it is impossible to exercise remedies against a defaulting CIL Funds Lender without having a significant adverse impact on the interests of a non-defaulting CIL Funds Lender (for example, because the CIL Joint Account Block has not been allocated), FICC would refrain from exercising remedies against the defaulting party except to facilitate movement of any Margin Excess Amount or on the maturity date of the CIL Joint Account Block, at which time FICC would exercise its rights as a secured party to cause the transfer of the Purchased GC Repo Securities against the amount due under the CIL Joint Account Block. In relation to any non-defaulting CIL Funds Lender, such exercise of remedies shall constitute settlement of its portion of the CIL Joint Account Block. FICC would only be required to refrain from exercising remedies if it determines that refraining from exercising such remedies is not prohibited by, and would not prejudice its rights under, applicable law (including insolvency laws applicable to the defaulting CIL Funds Lender) and is necessary to preserve the interests of non-defaulting CIL Funds Lenders.

(D) Funds-Only Settlement ("FOS")

1. <u>*Overview*</u>

Under the existing Sponsored GC Service, the only Funds-Only Settlement Amounts that the pre-Novation counterparties to a Sponsored GC Trade are obligated to pay to FICC and entitled to receive from FICC are the Forward Mark Adjustment Payment and Interest Adjustment Payment. The reason FICC exchanges such amounts with the pre-Novation counterparties is to address the risk that the pre-Novation counterparty (or its Sponsoring Member or Agent Clearing Member, as applicable) defaults and FICC needs to enter into a replacement transaction at market interest rates in order to perform to the other pre-Novation counterparty. In such a situation, ambient interest rates may have shifted since the date of Novation of the Sponsored GC Trade such that the cost to FICC of entering into the replacement transaction at market rates may be greater or less than what the cost would have been at the time the Sponsored GC Trade was originally Novated. The Forward Mark Adjustment Payment captures the loss or gain to FICC and the defaulting pre-Novation counterparty of such greater or lower costs and thereby ensures that FICC and the pre-Novation counterparty are made whole in the event FICC ceases to act for the pre-Novation counterparty. The Interest Adjustment Payment serves to compensate the payer of the Forward Mark Adjustment Payment for the time value of the payment.

In the context of the CIL Service, FICC's lien on the Purchased GC Repo Securities and ability to instruct the Sponsored GC Clearing Agent Bank to transfer such securities would effectively ensure that FICC never needs to enter into a replacement transaction to address the default of a CIL Funds Lender (or its Sponsoring Member). Rather, FICC would rely upon its lien and instruction right to settle with the GC Funds Borrower or, if the GC Funds Borrower is the Sponsoring Member or its Indirect Participant, possibly terminate both the transaction with the CIL Funds Lender and GC Funds Borrower such that no replacement transaction is required.

FICC is therefore proposing for FICC not to pay or collect Funds-Only Settlement Amounts to or from a CIL Funds Lender (or its Sponsoring Member) in relation to a Sponsored GC CIL Trade. FICC would still collect Funds-Only Settlement Amounts from the GC Funds Borrower in relation to the Sponsored GC CIL Trade because, in the event the GC Funds Borrower (or its Sponsoring Member or Agent Clearing Member, as applicable) defaults, FICC might need to enter into a replacement transaction to perform to the CIL Funds Lender. However, FICC would not pay Funds-Only Settlement Amounts to the GC Funds Borrower because FICC would not be collecting such amounts from the CIL Funds Lender.

FICC understands from its engagement with market participants that eliminating the exchange of Funds-Only Settlement Amounts with CIL Funds Lenders would facilitate the ability of RICs and other cash providers to access FICC's clearance and settlement services. This is because RICs and other cash providers generally do not have the operational capacity to engage in twice-daily exchanges of Funds-Only Settlement Amounts and, even if they did, passing such amounts through a Sponsoring Member may not be consistent with a RIC's obligations under Section 17(f) of the Investment Company Act, depending on the identity of the Sponsoring Member.[38] In light of these challenges, FICC understands that Sponsoring Members generally assume the obligation of RICs and other GC Funds Lenders to pay Funds-Only Settlement Amounts in exchange for the Sponsoring Member being able to keep any such amounts paid by FICC.[39] However, expanding that practice may be infeasible and expensive, particularly

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[38] See, e.g., 15 U.S.C. 80a-17(f); Letter from Ken Bentsen, supra note 5.

[39] See 2024 SIFMA Master Treasury Securities Clearing Agreement: Done-with, Module II, Section 5 (". . . Customer and Clearing Member agree that (a) Clearing Member shall satisfy any obligation of Customer to FICC to pay any Funds-Only Settlement Amount in respect of the Customer Sponsored GC Trades; and (b) in consideration of the agreement of Clearing Member not to seek reimbursement of such amount described in clause (a) from Customer, Clearing Member shall be entitled to any Funds-Only Settlement Amount in respect of the Customer Sponsored GC Trades due to Customer from FICC.").

in the context of term or done-away transactions. In term transactions, the Forward Mark Adjustment Payment may be substantially greater than in overnight transactions, while in done-away transactions the Forward Mark Adjustment Payment can have a real liquidity impact on the Sponsoring Member since the Sponsoring Member will not receive an equivalent amount from FICC as "the other side" of the trade. Furthermore, FICC understands that requiring Sponsoring Members that do not otherwise guarantee the obligations of CIL Funds Lenders to cover the CIL Funds Lender's Funds-Only Settlement Amount obligations could have regulatory capital implications for Sponsoring Members. In light of the foregoing, FICC believes that eliminating the need for CIL Funds Lenders or their Sponsoring Members to post Funds-Only Settlement Amounts would make it easier for RICs and other cash providers to transact using FICC's CIL Service.

2. Summary of Proposed Rule Changes

To effectuate the proposed changes described above, FICC proposes to (i) amend Section 9 of Rule 3A to provide that Sponsored GC CIL Trades would not be subject to Section 9(b) of Rule 3A, which specifies the Funds-Only Settlement Amount obligations generally applicable to Sponsored GC Trades, (ii) renumber existing Section 9(c) of Rule 3A as Section 9(d), and (iii) add a new Section 9(c) to Rule 3A to provide that neither a CIL Funds Lender nor its Sponsoring Member shall be obligated to pay to FICC and/or be entitled to receive from FICC, any amounts arising in relation to the Sponsored GC CIL Trades under Rule 13. The new Section 9(c) would further provide that each GC Funds Borrower would be obligated to pay FICC, but would not be entitled to receive from FICC, any Forward Mark Adjustment Payments and associated Interest Adjustment Payments in accordance with Rules 13 and 3A in relation to each Sponsored GC CIL Trade, provided that at the maturity of such Sponsored GC CIL Trade, FICC would pay to the GC Funds Borrower any such amounts so collected.

(iii) Done-Away Sponsored GC Trades

(A) Overview

Currently, a Sponsoring Member may submit only "done-with" transactions to FICC under the Sponsored GC Service (i.e., transactions between the Sponsored Member and the Sponsoring Member).[40] FICC proposes to amend its Rules to permit a Sponsoring Member to submit to FICC for clearing under the existing Sponsored GC Service done-away transactions (i.e., transactions entered into between a Sponsored Member and either a Netting Member that is not the Sponsoring Member or an Indirect Participant of any Netting Member). FICC is proposing to effectuate this change by revising a number of defined terms and certain sections in Rule 3A to make clear that counterparties to a Sponsored GC Trade do not need to be a Sponsored Member and its Sponsoring Member, but instead can be a Sponsored Member and any Netting Member or its Indirect Participant.

FICC's risk management and liquidity requirements in respect of done-away Sponsored GC Trades would not be different from those in respect of done-away Sponsored DVP Trades. Done-away Sponsored GC Trades would also be subject to all applicable requirements as done-with Sponsored GC Trades. Furthermore, as with existing Sponsored Member Trades, the liquidation provision in Section 18 of Rule 3A would only be applicable to done-with Sponsored GC Trades.[41]

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[40] See Rule 1, supra note 3 (defining a Sponsored GC Trade as "a Sponsored Member Trade that is a Repo Transaction between a Sponsored Member and its Sponsoring Member involving securities represented by a Generic CUSIP Number the data on which are submitted to [FICC] by the Sponsoring Member pursuant to the provisions of Rule 6A, for Novation to [FICC] pursuant to Section 7(b)(ii) of Rule 3A" in connection with the Sponsored GC Service; and defining a Sponsored Member Trade as "(a) a transaction that satisfies the requirements of Section 5 of Rule 3A and that is (i) between a Sponsored Member and its Sponsoring Member or (ii) between a Sponsored Member and a Netting Member or (b) a Sponsored GC Trade.").

[41] FICC has proposed rule changes that would include changing the numbering of Section 18 to Section 16 in Rule 3A. See Securities Exchange Act Release No. 103282 (June 17, 2025), 90 FR 26656 (June 23, 2025) (SR-FICC-2025-015).

In connection with this proposed change, FICC is also proposing to extend the deadline set forth in the Schedule of Sponsored GC Trade Timeframes for (i) full settlement of the Start Leg of Sponsored GC Trades, (ii) substitutions of Purchased GC Repo Securities, and (iii) satisfaction of GC Collateral Return Obligations and cash payment obligations associated with GC Collateral Return Entitlements by GC Funds Lenders and GC Funds Borrowers. The current deadline for these actions is 5:30 p.m. and the proposal would move this deadline to 7:00 p.m. (New York City times), which would align with the close of the Fedwire Funds Service at the Federal Reserve Bank of New York. Currently, Sponsored GC Trades for which funds are delivered between 5:30 p.m. and 7:00 p.m. do not settle until the next Business Day. Aligning these two deadlines would facilitate additional settlement of Sponsored GC Trades.

(B) Summary of Proposed Rule Changes

Revisions to defined terms. FICC proposes to revise the following defined terms in Rule 1: (1) GC Collateral Return Entitlement, (2) GC Collateral Return Obligation, (3) GC Funds Borrower, (4) GC Funds Lender, (5) Purchased GC Repo Securities, (6) Sponsored GC Trade, and (7) Sponsored Member Trade, each as described in greater detail below.

FICC proposes to revise the definitions of GC Collateral Return Entitlement, GC Collateral Return Obligation, GC Funds Borrower, and GC Funds Lender to (i) replace references to "a Sponsoring Member or Sponsored Member" with references to "a Netting Member or its Indirect Participant", and (ii) provide that only a Sponsored Member can be the GC Funds Lender and have a GC Collateral Return Obligation in relation to a Sponsored GC CIL Trade.

FICC proposes to revise the definition of Purchased GC Repo Securities to replace references to "Sponsoring Member or Sponsored Member" with references to "GC Funds Borrower."

FICC proposes to revise the definition of Sponsored GC Trade to replace "its Sponsoring Member" with "a Netting Member or its Indirect Participant" and to eliminate the unnecessary reference therein to Sponsored Member Trade.

FICC proposes to redefine the term Sponsored Member Trade as a transaction that satisfies the requirements of Section 5 of Rule 3A or a Sponsored GC Trade that, in each case, is (i) between a Sponsored Member and its Sponsoring Member or (ii) between a Sponsored Member and another Netting Member or an Indirect Participant of the Sponsoring Member or another Netting Member. FICC would also make conforming changes to the definition of Same-Day Settling Trade to align with these revisions.

Conforming and clarifying changes. FICC proposes to make a number of conforming and clarifying changes in Sections 7, 8, and 16 of Rule 3A, each as described in greater detail below.

FICC proposes to amend Sections 7(b)(iv) and 8(b)(vi) of Rule 3A to replace the references to "Sponsoring Member and Sponsored Member" with references to "GC Funds Borrower and GC Funds Lender".

FICC proposes to amend Section 8(a)(iii) of Rule 3A to conform to the revisions being proposed to the definition of Sponsored Member Trade and ensure that the statement regarding the availability of the Pair-Off Service to Sponsored Member Trades other than Sponsored GC Trades be correct.

FICC proposes to amend Section 8(b)(iv) of Rule 3A to make clear that FICC would pay GC Daily Repo Interest to "the GC Funds Lender, if the repo rate is positive for the relevant Sponsored GC Trade, or to the GC Funds Borrower, if the repo rate is negative for the relevant Sponsored GC Trade," instead of paying such interest to "the GC Funds Lender or GC Funds Borrower, as applicable."

FICC proposes to amend Section 16(a) of Rule 3A to provide that the liquidation mechanism under Section 16 is only applicable to done-with transactions, i.e., Sponsored Member Trades between a Sponsored Member and its Sponsoring Member.

Implementation Timeframe

Subject to approval by the Commission, FICC would implement the proposed rule change by no later than 6 months after approval. FICC would announce the effective date of the proposed changes by an Important Notice posted to its website.

2. Statutory Basis

FICC believes these proposed changes are consistent with the requirements of the Act, and the rules and regulations thereunder applicable to FICC. Specifically, FICC believes that the proposed changes are consistent with Section 17A(b)(3)(F) of the Act,[42] and Rule 17ad-22(e)(4)(i),[43] Rule 17ad-22(e)(6),[44] Rule 17ad-22(e)(18)(ii),[45] Rule 17ad-22(e)(18)(iv)(C),[46] Rule 17ad-22(e)(19),[47] and Rule 17ad-22(e)(23)(ii),[48] as promulgated under the Act, for the reasons stated below.

Section 17A(b)(3)(F) of the Act requires, in part, that the Rules be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.[49] The proposed amendments would not provide FICC with custody of any additional securities. The Purchased GC Repo

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[42] 15 U.S.C. 78q-1(b)(3)(F).

[43] 17 CFR 240.17ad-22(e)(4)(i).

[44] 17 CFR 240.17ad-22(e)(6).

[45] 17 CFR 240.17ad-22(e)(18)(ii).

[46] 17 CFR 240.17ad-22(e)(18)(iv)(C).

[47] 17 CFR 240.17ad-22(e)(19).

[48] 17 CFR 240.17ad-22(e)(23)(ii).

[49] 15 U.S.C. 78q-1(b)(3)(F).

Securities would remain in the custody of the Sponsored GC Clearing Agent Bank, in the Buyer's GC CIL Trade Account. However, the proposed CIL Custodial Agreement Supplement would provide FICC with "control" of Purchased GC Repo Securities subject to a Sponsored GC CIL Trade as a matter of the Uniform Commercial Code as in effect in the State of New York.[50]

FICC believes that the proposed rule changes are designed to assure the safeguarding of the Purchased GC Repo Securities subject to its control. As noted above, FICC's lien and control are specifically designed so that FICC can complete settlement of Sponsored GC CIL Trades even in a default of the CIL Funds Lender or Sponsoring Member. In furtherance of the foregoing, the CIL Custodial Agreement Supplement and proposed changes to the text of the Rules would only permit FICC to instruct the transfer of the Purchased GC Repo Securities out of the Buyer's GC CIL Trade Account if such transfer is in connection with the transfer of any Margin Excess Amount or in the amount equal to any cash due to the CIL Funds Lender. Furthermore, the CIL Custodial Agreement Supplement would prohibit any withdrawals of the Purchased GC Repo Securities by the CIL Funds Lender other than to allow for ordinary course settlement, in a Corporation Default, or in respect of securities that FICC does not intend to use to complete settlement with the GC Funds Borrower on the Sponsored GC CIL Trade. Accordingly, the proposed changes would ensure that the Purchased GC Repo Securities subject to FICC's control remain safeguarded in the Buyer's GC CIL Trade Account at the Sponsored GC Clearing Agent Bank until such time as they are needed for settlement or the Sponsored GC CIL Trade is terminated.

More broadly, the proposed changes are designed to ensure that FICC calculates and has sufficient resources to cover potential losses from a default on a done-away

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[50] UCC 8-106(d)(2).

Sponsored GC Trade or on a Sponsored GC CIL Trade. Under the proposed rule changes, non-CIL done-away Sponsored GC Trades, which FICC believes present the same market risk as done-with Sponsored GC Trades, would be subject to the same margin requirements as done-with Sponsored GC Trades. The Commission found last year that such margin requirements "limit FICC's risk to a Netting Member or indirect participant default and thereby enhance its ability to safeguard securities and funds in its control and for which it is responsible."[51]

In the case of Sponsored GC CIL Trades, FICC's perfected security interest in the Purchased GC Repo Securities subject to the Sponsored GC CIL Trades, as supplemented by the Clearing Fund posted by the Sponsoring Member for its Sponsored GC CIL Omnibus Account, the mandatory CIL Required Haircut, and any Sponsored GC CIL Omnibus Account Required Fund Deposit, is designed to ensure that FICC has sufficient resources to address a default of a CIL Funds Lender or its Sponsoring Member. As noted above, the perfected security interest as well as FICC's right to instruct the Sponsored GC Clearing Agent Bank in relation to such securities would ensure that FICC can settle with the GC Funds Borrower in a CIL Funds Lender default or the default of its Sponsoring Member, provided that the Sponsoring Member or its Indirect Participant is not the GC Funds Borrower. If the Sponsoring Member or its Indirect Participant is the GC Funds Borrower, FICC may need to terminate the Sponsored GC Trade in whole or in part and rely upon the Sponsoring Member's Clearing Fund, the CIL Required Haircut, or the Sponsored GC CIL Omnibus Account Required Fund Deposit to cover any losses resulting from the liquidation. Such amounts, however, would never be less than the Clearing Fund FICC would have available for a Sponsored GC Trade. FICC therefore

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[51] See Securities Exchange Act Release No. 101695 (Nov. 21, 2024), 89 FR 93763 (Nov. 27, 2024) (SR-FICC-2024-007).

believes that the proposed changes would enhance its ability to safeguard funds and securities which are in the custody or control of FICC or for which it is responsible.

Section 17A(b)(3)(F) of the Act also requires that the Rules be designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and, in general, protect investors and the public interest.[52] FICC believes that the proposed changes are designed to meet these goals.

First, FICC understands from its engagement with market participants that there are currently a number of constraints on the ability of RICs and other cash providers to access FICC's clearance and settlement services, including (i) the "double margining" arising from RICs' need for haircuts and inability to post margin to FICC, (ii) the capital requirements associated with providing the Sponsoring Member Guaranty, and (iii) the limitations on a Sponsoring Member's ability to submit to FICC transactions entered into through joint trading accounts. By creating the CIL Service, FICC would eliminate "double margining" by taking a perfected security interest in the Purchased GC Repo Securities in lieu of some or all of the required margin. The lien would also allow FICC not to require a Sponsoring Member to guarantee the obligations of a CIL Funds Lender under a Sponsored GC CIL Trade. The elimination of such guarantee requirement would have substantial capital savings for the Sponsoring Member (and corresponding cost savings for the CIL Funds Lender). FICC would also accommodate the clearance and settlement of Sponsored GC CIL Trades entered into through a joint trading account even before such transactions have been allocated. Accordingly, the proposed changes are

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52 15 U.S.C. 78q-1(b)(3)(F).

designed to remove these impediments for RICs and other cash providers to access FICC's clearance and settlement services.

Second, FICC understands from its engagement with market participants that Sponsoring Members typically agree to assume a Sponsored Member's Funds-Only Settlement Amount obligations, and to receive a Sponsored Member's Funds-Only Settlement Amount entitlements, under Sponsored GC Trades to address operational and regulatory concerns of RICs and other cash providers. However, as mentioned above, FICC believes that it may be infeasible or expensive for Sponsoring Members to do this on a broader scale, particularly in relation to term transactions or done-away ones. This is because the capital, liquidity, and cost consequences of satisfying a Sponsored Member's Funds-Only Settlement Amount obligations in relation to term or done-away transactions may be substantially greater than for done-with overnight transactions. Furthermore, any such costs would ultimately not outweigh the benefits of exchanging Funds-Only Settlement Amounts with a CIL Funds Lender (or its Sponsoring Member) considering FICC's proposed lien on the Purchased GC Repo Securities and right to instruct the Sponsored GC Clearing Agent Bank in relation to such securities would obviate the risk that such Funds-Only Settlement Amounts are designed to address. Accordingly, FICC believes that eliminating the need for FICC to exchange Funds-Only Settlement Amounts with CIL Funds Lenders would remove potential impediments that could limit access to FICC's clearance and settlement systems.

Third, FICC understands from its engagement with market participants that a robust done-away clearing market can promote market liquidity by allowing for all-to-all trading. In addition, done-away clearing can eliminate the substantial time and expenses of RICs and other cash providers needing to enter into clearing documentation with each and every one of their trading counterparties. The proposed changes to provide for the clearing of done-away Sponsored GC Trades would therefore promote cooperation and

coordination with persons engaged in the clearance and settlement of securities transactions, perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and protect the public interest.

Given the foregoing, FICC believes the proposed changes are designed to foster cooperation and coordination with persons engaged in the clearance and settlement of securities transactions, remove impediments to and perfect the mechanism of a national system for the prompt and accurate clearance and settlement of securities transactions, and in general, protect investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act.[53]

Rule 17ad-22(e)(4)(i) under the Act requires that FICC establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.[54] FICC believes the proposed changes are consistent with this requirement.

First, the proposed changes relating to the risk and default management mechanism for the CIL Service, i.e., FICC's perfected security interest in the Purchased GC Repo Securities subject to the Sponsored GC CIL Trades, supplemented by the Clearing Fund for the Sponsoring Member's Sponsoring Member Omnibus Account, the mandatory CIL Required Haircut, and the Sponsored GC CIL Omnibus Account Required Fund Deposit requirement, would ensure both that the quantum of resources accessible by FICC to manage the default on a Sponsored GC CIL Trade would

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[53] Id.

[54] 17 CFR 240.17ad-22(e)(4)(i).

accurately reflect FICC's credit exposures to participants in the CIL Service and that FICC would be able to use such resources to cover its exposure in the event of a default by the CIL Funds Lender or its Sponsoring Member. Second, under the proposed changes, the done-away Sponsored GC Trades (other than Sponsored GC CIL Trades), which present the same credit and market risk profile as done-with Sponsored GC Trades, would be margined and risk managed in the same manner as done-with Sponsored GC Trades using methodologies that have been approved by the Commission. Meanwhile, done-away Sponsored GC Trades, which present the same liquidity risks as other done-away transactions, would be treated identically to such other done-away transactions for purposes of calculating a Sponsoring Member's Capped Contingency Liquidity Facility obligations. Therefore, collectively, these changes would enhance the ability of FICC to manage the risk of the transactions it clears and settles and cover its credit exposure to its participants with a high degree of confidence.

Rule 17ad-22(e)(6) under the Act requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system.[55] The proposed changes would provide FICC with enough margin to ensure it will have sufficient resources to perform to non-defaulting participants in a participant default. In particular, the proposed changes would provide FICC, in the form of Purchased GC Repo Securities and Clearing Fund deposits, with resources to address a CIL Funds Lender default that are equal to, or in excess of, the resources FICC calculates using its established and approved risk-based models as necessary to address the default of a Sponsored Member under a Sponsored GC Trade. Accordingly, the proposed changes would ensure FICC covers its credit exposures to its participants.

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[55] 17 CFR 240.17ad-22(e)(6).

Rule 17ad-22(e)(18)(ii) under the Act requires FICC to establish, implement, maintain and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in FICC.[56] The proposed changes—which would (i) not impose margin requirements for Sponsored GC CIL Trades except for Sponsored GC CIL Omnibus Account Required Fund Deposit, if any, and (ii) make done-away Sponsored GC Trades (other than Sponsored GC CIL Trades) subject to FICC's existing margin requirements applicable to done-with Sponsored GC Trades—would provide objective, risk-based, and publicly disclosed criteria for Sponsoring Members that would clear Sponsored GC CIL Trades or done-away Sponsored GC Trades for customers regarding the specific margin requirements to which they would be subject. In addition, the requirement for CIL Funds Lenders to execute a CIL Custodial Agreement Supplement as prescribed by FICC would further provide objective, risk-based, and publicly disclosed criteria for CIL Funds Lenders, the GC Funds Borrowers, and, if applicable, their Sponsoring Members on certain operational requirements for participating in the CIL Service as well as FICC's lien on the Purchased GC Repo Securities subject to the Sponsored GC CIL Trades. Therefore, collectively, the proposed changes would improve public disclosure for participation in FICC's services, including with respect to the relevant financial and operational requirements in connection with Sponsored GC CIL Trades.

Rule 17ad-22(e)(18)(iv)(C) requires, in part, that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure that it has appropriate means to facilitate access to clearance and settlement services of all

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[56] 17 CFR 240.17ad-22(e)(18)(ii).

eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants.[57] FICC believes that the proposed changes would very much facilitate access to its clearing and settlement services for ESMTs by eliminating or ameliorating certain existing impediments to access that RICs and other cash providers face.

First, FICC's security interest in the Purchased GC Repo Securities would eliminate the "double margining" that increases the costs (and thereby decreases the ability of) a Sponsoring Member to provide clearance and settlement services to RICs and other cash providers. The lien would also eliminate the need for the Sponsoring Member to guarantee the obligations of a CIL Funds Lender. FICC understands from its engagement with market participants that eliminating the guarantee would reduce the capital requirements associated with a Sponsoring Member providing access to FICC's clearance and settlement systems, and thus the costs of providing such access.

Second, the CIL Service would allow a Sponsoring Member to submit to FICC for clearance and settlement transactions that have been entered into by multiple RICs or other CIL Funds Lenders using a joint trading account. Such transactions may be ineligible for submission to FICC today because investment advisers are unable to complete final allocations to individual cash providers by the FICC submission deadline. As a result, the proposed changes would facilitate the ability of RICs and other cash providers to access FICC's clearance and settlement services in relation to transactions that they are currently only able to clear bilaterally.

Third, the CIL Service would not provide for FICC to exchange Funds-Only Settlement Amounts with a CIL Funds Lender (or its Sponsoring Member). FICC believes this would facilitate access by eliminating the possibility of such Funds-Only

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57 17 CFR 240.17ad-22(e)(18)(iv)(C).

Settlement Amount obligations and entitlements giving rise to operational or regulatory impediments for RICs, other cash providers, and their Sponsoring Members. As such, FICC believes that adding the CIL Service would facilitate access to clearance and settlement services of all eligible secondary market transactions in U.S. Treasury securities, including those of indirect participants.[58]

Fourth, the inclusion of language in the Rules and the CIL Custodial Agreement Supplement of various provisions to facilitate the ability of RICs acting as CIL Funds Lenders to conclude that Sponsored GC CIL Trades are "Collateralized Fully" within the meaning of Investment Company Act Rule 5b-3 would allow RICs to access FICC's clearance and settlement services consistently with their regulatory obligations.

FICC also believes that the proposed changes to provide for clearing of done-away Sponsored GC Trades and to extend its settlement deadline for Sponsored GC Trades would promote access to FICC's clearance and settlement systems in respect of ESMTs. Currently, a Sponsoring Member may submit only done-with transactions to FICC under the Sponsored GC Service. Allowing for the submission of done-away transactions would facilitate greater access by allowing a Sponsored Member to submit more of their ESMTs and to do so without entering into clearing agreements with each of their execution counterparties. The proposed change to align FICC's settlement and substitution deadlines for Sponsored GC Trades with the close of the Fedwire Funds Service at 7:00 p.m. (New York City time) would support the settlement of additional tri-party activity and, therefore, also promote access to FICC's clearance and settlement systems in respect of ESMTs. As such, FICC believes that providing for done-away Sponsored GC Trades and extending its settlement and substitution deadline for Sponsored GC Trades, as described above, would facilitate access to clearance and

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58 Id.

settlement services of all eligible secondary market transactions in U.S. Treasury securities.[59]

Rule 17ad-22(e)(19) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to identify, monitor, and manage the material risks to the covered clearing agency arising from arrangements in which firms that are indirect participants in the covered clearing agency rely on the services provided by direct participants to access the covered clearing agency's payment, clearing, or settlement facilities.[60] The proposed changes relating to the CIL Service contain specific risk management features relating to FICC's exposure from CIL Funds Lenders, including (i) a lien on the Purchased GC Repo Securities subject to the Sponsored GC CIL Trades that would allow FICC to settle with the GC Funds Borrower even in a CIL Funds Lender default, (ii) clear provisions describing how FICC would enforce remedies and otherwise address such a default, and (iii) the Clearing Fund, mandatory CIL Required Haircut, and Sponsored GC CIL Omnibus Account Required Fund Deposit that FICC would require to ensure it has sufficient resources to cover simultaneous default of both a CIL Funds Lender and its Sponsoring Member. Accordingly, the proposed changes would promote FICC's ability to identify, monitor, and manage the material risks arising from indirect participants' access its payment, clearing, or settlement facilities.

Rule 17ad-22(e)(23)(ii) under the Act requires that FICC establish, implement, maintain and enforce written policies and procedures reasonably designed to provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency.[61] As

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59 Id.

60 17 CFR 240.17ad-22(e)(19).

61 17 CFR 240.17ad-22(e)(23)(ii).

described above, the proposed changes would include clear provisions on the parameters of the CIL Service (including who could act as a CIL Funds Lender, the requirement to execute a CIL Custodial Agreement Supplement, the treatment of Funds-Only Settlement Amounts, and the use of joint trading accounts) as well as how the Sponsored GC CIL Trades would be risk managed. In addition, the proposed changes relating to done-away Sponsored GC Trades would clarify that such transactions would be subject to all applicable requirements to done-with Sponsored GC Trades, except that the Start Leg of a done-away Sponsored GC Trade would be eligible for Novation and the liquidation provision in Section 16 of Rule 3A would only be applicable to done-with Sponsored GC Trades. These changes would accordingly provide clarity to market participants to enable them to evaluate the risks and costs of participating in the CIL Service or clearing done-away Sponsored GC Trades consistent with Rule 17ad-22(e)(23)(ii).

(B) Clearing Agency's Statement on Burden on Competition

FICC believes that the proposed changes would promote competition by addressing some of the conditions that make it more difficult and more expensive for RICs than for certain other cash providers to access FICC's clearance and settlement system. As mentioned above, due to their regulatory requirements, including in particular the requirement to collect haircuts and the limitations on posting margin to FICC under the Investment Company Act, cleared transactions with RICs are subject to "double margining." Such double margining makes it more expensive for Sponsoring Members to offer RICs access to clearing relative to some other cash providers. By eliminating the double margining through its security interest on the Purchased GC Repo Securities, FICC believes the CIL Service would promote competition between RICs and other cash providers and place them on a more level playing field.

Furthermore, FICC believes that the proposed changes would encourage the submission of a greater number and variety of securities transactions, including, in

particular, transactions executed by a Joint Account Agent on behalf of multiple Sponsored Members. As described above, many RICs currently execute ESMTs through "joint trading accounts" to achieve administrative efficiencies. However, a Sponsoring Member cannot generally submit such a transaction for central clearing because the Joint Account Agent is typically unable to complete the final allocation by the FICC submission deadline. By eliminating the need for a CIL Joint Account Agent to render such allocation prior to submission, the proposed CIL Service would promote competition because it would encourage Sponsored Members, RICs and other cash providers to submit to FICC a greater number and variety of securities transactions.

FICC believes that the proposed changes to provide for the clearing of done-away Sponsored GC Trades would also promote competition because they would incentivize Sponsoring Members to offer clearing services for such transactions and facilitate RICs and other cash providers access to clearance and settlement services, causing them to enter into a greater number of done-away Sponsored GC Trades and submit such trades to FICC for clearance and settlement.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FICC reviewed the proposed rule change with Sponsoring Members and Sponsored Members in order to benefit from their expertise. Written comments relating to this proposed rule change received in connection with such outreach included feedback to the proposal provided by counsel to an industry association representing regulated investment funds. Such written comments included (i) recommendations for certain changes to the text of proposed rule changes and the required terms for a CIL Custodial Agreement Supplement so as to facilitate the ability of RICs to conclude that Sponsored GC CIL Trades are "Collateralized Fully" within the meaning of Investment Company Act Rule 5b-3, and (ii) certain operational questions related to the CIL Service. These

comments and questions have been resolved, which resolution is reflected in the proposed rule changes described.

If any additional written comments are received by FICC, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at www.sec.gov/rules-regulations/how-submit-comment. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

FICC reserves the right to not respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FICC-2025-019 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-FICC-2025-019. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of FICC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FICC-2025-019 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[62]

Sherry R. Haywood,

Assistant Secretary.

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[62] 17 CFR 200.30-3(a)(12).